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ZNR UUUUU ZZH
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FM AMEMBASSY ANTANANARIVO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0143
INFO RUEHSA/AMEMBASSY PRETORIA 1060
RUEATRS/DEPT OF TREASURY WASHDC
RHEHNSC/NSC WASHDC

UNCLAS ANTANANARIVO 000757

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DEPT FOR AF/E AND AF/FO
PARIS FOR D'ELIA
TREASURY FOR FBOYE
TREASURY FOR IMF EXECUTIVE DIRECTOR MEG LUNDSAGER
TREASURY FOR WORLD BANK EXEC DIRECTOR ELI WHITNEY DEBEVOISE

E.O. 12958: N/A

TAGS: [EFIN](#) [IBRD](#) [IMF](#) [ECON](#) [EAID](#) [PREL](#) [CN](#)

SUBJECT: COMOROS, THE COUNTRY DEBT-RELIEF LEFT BEHIND

REF: A) ANTANANARIVO 681 B) ANTANANARIVO 615

11. (SBU) SUMMARY: One of the world's poorest Muslim democracies, the Union of the Comoros has a stock of debt equal to 70 percent of GDP. If not for an annual influx of over USD 12 million in remittances from Comorans living abroad, the tiny country of 700,000 mostly subsistence farmers would face persistent humanitarian crisis. Renowned, if at all, for political instability, the Comoros is also bereft of economic opportunity. Post encourages the Department and interagency colleagues to consider debt relief for the Comoros as early as possible. END SUMMARY.

12. (U) The moderate Muslim democracy of the Union of the Comoros has a bilateral and multilateral debt totaling USD 280 million; this is 70 percent of the tiny country's GDP. The democratically-elected Union President Ahmed Abdallah Sambi is currently preoccupied by Anjouan island renegade Mohamed Bacar, who has brought the country to the brink of a new secession (reftels). Otherwise, President Sambi's main concern is finding resources to pay civil servant salaries and make debt payments - little or nothing is left for public services and capital investment.

13. (SBU) During the early years of the Heavily Indebted Poor Countries (HIPC) program, the Comoros was in crisis. Anjouan's secession in 1997 plunged the country into chaos, but a subsequent reconciliation and new Constitution restored order. When Sambi was inaugurated in May 2006, it was the first peaceful and democratic transfer of power since independence in 1975. Following the free and fair 2006 Union President election, the IMF put the country on track for HIPC relief and granted an extension in December. The new Anjouan crisis has let many would-be donors off the hook to help the Comoros. Over USD 200 million "pledged" at a December 2005 conference in Port Louis remain mostly empty promises; sadly, the U.S. is among the countries that has not fulfilled its pledges. The IMF announced in June it was delaying discussion of HIPC relief or a full program pending resolution of the Anjouan crisis. The Multilateral Debt Relief Initiative (MDRI) is also stalled for Comoros, as it is contingent on HIPC.

14. (U) The Comoros' history of instability has also left the country among a tiny group of "pariah" nations that do not qualify for the African Growth and Opportunity Act (AGOA). With a small workforce - the total population is a mere 700,000 people - and awful infrastructure, investment is almost nonexistent. The economy has thus been moribund for the three decades since independence, averaging little more than two percent annual GDP growth. Agriculture exports of ylang-ylang (a perfume essence), vanilla, and cloves provide 90 percent of export earnings and these three commodities make up 40 percent of GDP.

¶5. (U) Outside the plantations for cash crops, most Comorans survive on subsistence farming and fishing. Almost all formal sector jobs are in the Union Government or the three Island Governments. Comorans are not starving, but are bereft of opportunity. The economy floats above crisis on a tide of remittances from Comorans living abroad; this is estimated at over USD 12 million per year.

¶6. (U) In 2006, the Comoros ranked 132 out of 177 countries on the United Nations' Human Development Index (HDI), and GDP per capita appeared high at USD 1,943 (Purchasing Power Parity). These data, however, belie an undeveloped economy where Comorans work for a dysfunctional government, toil in subsistence farming and fishing, or bide their time until they can escape. All the while life-sustaining remittances pour in to pay for the imported consumer goods.

¶7. (U) In the absence of opportunity in their country, young Comorans express one desire: to emigrate. Our conversations with students at the American Corner at the University always center on the lack of scholarship opportunities for study abroad. Failing to find means to study in Europe or the United States, many young Comorans accept offers for "religious study" in Egypt, Pakistan, Iran, and Saudi Arabia.

¶8. (SBU) Some of these students, like recent Embassy International Visitor Hayati Hassani, who studied in Cairo, gain an excellent education and perfect their English and Arabic language skills. Hayati returned to the Comoros to join the Ministry of External Relations and is one of our best contacts. Other students, however, are radicalized while abroad and return to home with an agenda most Comorans find troubling. Muslim elders report young returnees teaching a perversely aggressive and anti-Western version of "Islam." The Comoros' most infamous export, Harun Fazul, was radicalized after leaving home and is now a wanted Al-Qaeda

terrorist.

¶9. (SBU) COMMENT: If programs are halted in light of the continued intransigence of Anjouan's Bacar, the whole Comoran population will be held hostage. Post strongly supports the notion of Comoran unity, but also believes development programs on the free islands of Grande Comore and Moheli should move forward immediately. We ask the Department and interagency colleagues to consider and support HIPC and MDRI debt relief at the first opportunity. The Union government must have the burden of debt lifted if it is to achieve anything meaningful for the people of Grande Comore, Moheli and, eventually, Anjouan.
END COMMENT.

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